



## Service Employees International Union Local 503

*More than 55,000 public workers, care providers, and non-profit employees in Oregon.*

**Testimony on SB 913 and SB 560, Senate Workforce  
Melissa Unger, SEIU Local 503 Political Director  
March 15, 2017**

Chair Taylor, Vice-chair Knopp, thank you for giving me the opportunity to testify today. For the record, my name is Melissa Unger and I am the political director of SEIU Local 503. I was able to testify during the last hearing on SB 560, so I am going to try not to repeat myself and while I want to respond to some of the specifics of the proposals I do also want to respond to the overall conversation on PERS that has been happening in the committee.

There has been one important fact that I think is important to remember. In 2007, under the same retirement plan that gave out the same benefits, we had a fund that was 110% funded with side accounts and 97% funded without side accounts. All the same benefits and even more Tier 1/Tier 2 workers were employed. By 2008, we had lost approximately \$17 billion from the Wall Street crash and we were 70% funded without side accounts. While all the conversations about the 90's and decisions around benefits are completely true and the employer rates are increasing to pay for the UAL, what isn't discussed is where the current UAL actually came from.

We would not be in this situation if the big banks had not crashed our economy, creating the 2008 recession, and getting off scott-free while leaving retirees and middle-class Oregonians holding the bag. Approximately \$17 Billion from the UAL is due to the loss of investment income from the 2008 corporate-caused recession. The same recession that brought paycuts to our members through mandatory furloughs and step freezes at a time when they met unprecedented demand for services.

Then, in 2013 when the Legislature passed the illegal COLA reductions for retirees, and then passed a budget that included that change, it made things worse. Most of the increase to the UAL since 2015 is the Moro decision. In my submitted testimony I have included a graph that I use for our members often when describing what is causing this increase in the UAL.

Source of UAL Increase	Legislature	PERS Board	Oregon Investment Council	Change in UAL	% of Total
<b>Moro Decision</b>	\$5.1B	-	-	\$5.1B	54%
<b>Updated mortality assumptions</b>	-	\$1.8B	-	\$1.8B	19%
<b>Decrease in assumed earnings rate</b>	-	\$1.7B	-	\$1.7B	18%
<b>All other assumption changes/actual experience</b>	-	\$.58B	-	\$.58B	5%
<b>Expected UAL increase</b>	-	\$.2B	-	\$.2B	2%
<b>Actual investment returns</b>	-	-	\$.2B	\$.2B	2%
<b>Total</b>	\$5.1B	\$4.2B	\$.2B	\$9.5B	100%
<b>% of Total</b>	54%	44%	2%	100%	

SB 913 continues the proposal that would end the Individual Account Program, which is a 6% reduction to a person's compensation. Our state worker members pay into this program from their own paychecks.

As we heard in the last hearing, this diversion will have serious impacts on current and future employees. We heard from a teacher who will see his IAP slashed 75 percent. The proposal reduces a recently hired OPSRP members' retirement by 30-40%.

Once again in these proposals, OPSRP members are not causing the unfunded liability but they are being asked to pay for it. And the OPSRP provides a small pension along with the IAP, which our state worker members fund 100%. It's their money. And now the state wants to take it.

One of the new proposals is increasing the retirement age. Not only do we want our state workers to be the highly qualified, but we should also recognize that the work they do is hard. During my last testimony I mentioned Brandy from the State Hospital who has had 9 concussions and is on her second medical leave because of her work at the State Hospital. Or the ODOT worker that throughout the winter is on call 24 hours a day, often working around the clock to make the roads safe to drive. Or the child welfare worker, where in a recent audit 73 percent said they feel highly stressed in their jobs. How are these workers supposed to support and help children coming from very hard backgrounds after all they have seen after 30 years and at the age of 67. The jobs police and fire do are hard which is why they have a lower retirement age, but so are many of the jobs that other frontline workers do and to increase their retirement age to 4 years longer than the average does not respect the work they do.

As I said in my earlier testimony, state workers in Oregon make 98% of their private sector peers in total compensation. When talking about just wages, they make 88% of their private sector peers. This does not leave much room for people to save for their own retirements, which is why PERS is so essential both for their retirement security and for our ability as a state to recruit and retain staff.

We don't want the state to become an employer of last resort, the frontline workers for the state are the face of our government. They interact with people at the DMV, they are the people that work with children who are the most in need through the child welfare department, they help a family who needs help applying for benefits, and they help our seniors navigate a complicated web of services. We need to be able to recruit and retain the best and that is not possible if you further cut benefits.

Our position on SB 913 is the same as our position on SB 560: these reductions are extreme, illegal, and break the contract with the state's dedicated public workforce.

